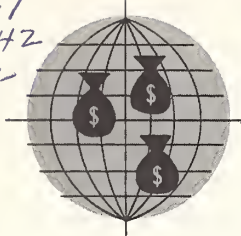


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FOREIGN GOLD & EXCHANGE RESERVES

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AGRICULTURE'S CONTRIBUTION TO THE U.S. BALANCE OF PAYMENTS

by George R. Kruer

The U.S. balance-of-payments deficit totaled \$1,424 million on a liquidity basis in 1966, up \$87 million from the 1965 level (table 1). The increase in the deficit would have been larger had it not been for the increase in the agricultural merchandise trade surplus.

Net earnings of \$3,673 million from all merchandise trade in 1966 were 45 percent below the 1964 peak trade surplus of \$6,676 million (table 2). Net earnings from trade in nonagricultural products declined by \$1,352 million or almost one-half in 1966. This decrease was offset in part by a \$237 million increase in the agricultural trade surplus. The result was a drop in the overall trade surplus of \$1,115 million in 1966.

Other payment transactions continued to offset the sizeable merchandise trade surplus so that the overall payments balance continued in a deficit position. However, a significant decline in the 1966 trade surplus was offset by several improvements in other accounts. These improvements were in large part sparked by the tight money situation and concomitant high interest rates that prevailed in the United States during 1966. The tight money situation resulted in a huge increase in foreign assets held in the United States during 1966 (an increase being favorable to the U.S. balance of payments). The net inflow of foreign assets increased from \$309 million in 1965 to \$3,024 million in 1966.

The voluntary guidelines on private direct investment abroad, instituted early in 1965, continued to restrain private capital outflows from the United States in 1966. The net outflow of \$3,911 million in 1966 was slightly above

Note: References to "total" world gold, reserves, etc., are exclusive of the Sino-Soviet countries, Cuba, and Indonesia.

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the 1965 level of \$3,690 million, but 40 percent below the 1964 level of \$6,523 million.

The contribution of the trade sector to the balance of payments may be overstated in using the merchandise trade balance as a measure of the contribution because it includes exports financed directly by U.S. Government grants and credits. It may be subjectively concluded that exports financed in this manner are noncommercial and that commercial trade only may be a better measure. The apparent gain to the balance of payments from such noncommercial exports is exactly offset by Government grants or credits to foreign countries since the latter transactions are considered adverse to the balance of payments when they occur. However, there are two reasons why the use of commercial trade only may obscure significant details in measuring this sector's contribution to the balance of payments.

Table 1.--U.S. balance of payments,
1960-66

Year	Balance on liquidity basis	Balance on official reserve transactions basis
	-- Million dollars --	
1960	-3,881	-3,402
1961	-2,370	-1,347
1962	-2,203	-2,706
1963	-2,670	-2,044
1964	-2,798	-1,546
1965	-1,337	-1,305
1966	-1,424	271

Source: Department of Commerce, Survey of Current Business, June 1966 and March 1967.

The first is that private credits extended abroad are used to finance commercial exports and this capital outflow exactly offsets the positive effects of exports on the balance of payments. Therefore, to exclude exports financed by Government credit means that contributions from merchandise exports are being determined solely on the basis of who extends the credit. Of course, private credits are made with the expectation of full repayment in much shorter time periods. Government credits are also to be repaid, but they generally carry more concessional terms with respect to interest rates and length of repayment. The possibility of future returns on these "noncommercial" exports is the second reason advanced for not wholly excluding Government-financed exports from the trade sector.

In part, the question of inclusion resolves itself into a problem of timing. The solution presented in tables 2-4 involves excluding noncommercial exports initially, but then adding back to commercial exports and the commercial trade balance any balance-of-payments benefits derived from noncommercial exports at the time they occur. Table 3 shows the derivation of noncommercial agricultural exports and noncommercial nonagricultural exports are then derived as the residual in table 2.

Commercial sales of all types of products have been rising rapidly in recent years, but general imports increased even faster in 1965 and 1966 with the result that the commercial trade balance declined. A look at the agricultural/nonagricultural trade record indicates that the commercial trade surplus

Table 2.--U.S. merchandise trade, balance-of-payments basis, 1960-66 1/

Year and commodity	Exports (f.o.b.)			General Imports (f.o.b.)	Trade balance	
	Total	Non-commercial ^{2/}	Commercial		Total	Commercial
----- Million U.S. dollars -----						
Total:						
1960	19,489	2,046	17,443	14,732	4,757	2,711
1961	19,954	2,400	17,554	14,510	5,444	3,044
1962	20,604	2,506	18,098	16,187	4,417	1,911
1963	22,071	2,888	19,183	16,992	5,079	2,191
1964	25,297	3,020	22,277	18,621	6,676	3,656
1965	26,276	2,951	23,325	21,488	4,788	1,837
1966	29,180	3,078	26,102	25,507	3,673	595
Agricultural: ^{3/}						
1960	4,835	1,376	3,459	3,894	941	-435
1961	5,023	1,454	3,569	3,756	1,276	-187
1962	5,037	1,423	3,614	3,898	1,139	-284
1963	5,584	1,538	4,046	4,044	1,540	2
1964	6,350	1,631	4,719	4,090	2,260	629
1965	6,229	1,348	4,881	4,085	2,144	796
1966	6,873	1,393	5,480	4,492	2,381	988
Non-agricultural: ^{3/}						
1960	14,654	670	13,984	10,838	3,816	3,146
1961	14,931	946	13,985	10,754	4,177	3,231
1962	15,567	1,083	14,484	12,289	3,278	2,195
1963	16,487	1,350	15,137	12,948	3,539	2,189
1964	18,947	1,389	17,558	14,531	4,416	3,027
1965	20,047	1,603	18,444	17,403	2,644	1,041
1966	22,307	1,685	20,622	21,015	1,292	-393

1/ Total exports and general imports are from table 4 of the quarterly reports on the U.S. balance of payments that appear regularly in the Survey of Current Business, U.S. Department of Commerce. Total exports are equal to line 1 of that table and include reexports but exclude transfers under military grants and military sales contracts; general imports are equal to line 11 and exclude military also. Agricultural trade is adjusted to a balance-of-payments basis and nonagricultural trade is derived as a residual.

2/ Total noncommercial exports are equal to the expenditure on U.S. merchandise of U.S. Government grants and credits abroad which involve no direct dollar outflow from the United States, but before deducting merchandise purchases abroad by U.S. agencies using local currencies acquired without purchase with dollars. Noncommercial agricultural exports are from table 3 and nonagricultural exports are the residual.

3/ The purpose of this set of tables is to show the contribution, gross and net, of domestic agriculture to the U.S. balance of payments and therefore agricultural exports consist of exports of U.S. products only and agricultural imports exclude nonconsumption imports. The effect of this action is that transshipped agricultural products are included in the nonagricultural trade sector.

Table 3.--Noncommercial U.S. agricultural exports, 1960-66 1/

Item	1960	1961	1962	1963	1964	1965	1966
----- Million U.S. dollars -----							
Total noncommercial agricultural exports	1,376	1,454	1,423	1,538	1,631	1,348	1,393
By program:							
Title I, P.L. 480, sales for local currencies	979	902	1,012	1,149	1,234	914	838
Title II, P.L. 480, grants	93	187	149	172	105	101	99
Title III, P.L. 480, grants	125	152	179	156	171	162	132
Title IV, P.L. 480, long-term dollar credit sales	--	--	39	50	97	145	234
Mutual Security (AID) disposals	157	179	35	11	24	26	47
Export-Import Bank, financed from own resources	22	34	9	--	--	--	43

--Indicated figure is zero or less than \$500,000.

1/ Those financed by the U.S. Government with international grants and credits.

Source: P.L. 480 Program (all titles): Office of Business Economics, U.S. Department of Commerce; Mutual Security and Export-Import Bank programs: ERS, U.S. Department of Agriculture, based on data from AID and the Export-Import Bank.

in agricultural products advanced during the 2 years and the nonfarm trade surplus declined. The latter moved into a deficit position in 1966. With the growth in the economy returning to a more sustainable rate in 1967, the overall trade surplus should recover.

The estimated balance-of-payments benefits derived from noncommercial agricultural sales are shown in table 4. Benefits of \$168 million in 1966 were only slightly above the 1960 level and much lower than the peak of \$214 million reached in 1964. The largest balance-of-payments benefit, by program, was derived from the use of foreign currency generated from noncommercial agricultural sales under Title I of P.L. 480. Long-term dollar credit sales under Title IV of P.L. 480, initiated in 1962, are increasing in volume and importance. Repayments on Title IV loans are steadily increasing and amounted to \$38 million in 1966.

The gross contribution of domestic agriculture to the balance of payments increased from \$3,620 million in 1960 to \$5,648 million in 1966, an increase of 56 percent. The net contribution, after deducting agricultural imports for consumption, moved from a deficit of \$274 million in 1960 to a surplus of \$1,156 million in 1966.

Data on the actual balance-of-payments benefits derived from noncommercial sales of nonfarm products are not available. However, the benefits may be sizeable due to the repayment in dollars, with interest, of Export-Import Bank loans which fall into the noncommercial category. For example, during 1965, repayments of principal on Export-Import Bank loans amounted to \$592 million and exceeded the \$533 million in new credit extensions by the Bank. Some balance-of-payments benefits may also arise from other noncommercial U.S. Government export programs, but they would be much smaller than those originating from exports financed by Export-Import Bank loans.

RESERVES, BALANCE-OF-PAYMENTS DEVELOPMENTS, AND ECONOMIC GROWTH

GLOBAL SURVEY

Country holdings of international reserves increased \$1.2 billion from the end of 1965 to the end of 1966, attaining a level of \$71.0 billion. This represents an increase of only 1.8 percent while world exports increased by 9.4 percent from 1965 to 1966 (tables 5 and 6). The spread between the growth in reserves and world exports has been relatively constant for several years with the result that the ratio of end-of-year reserves to imports for the year has been steadily declining. The ratio dropped from 42.6 percent in 1964 to 39.9 percent in 1965 and to 37.2 percent in 1966. This decline is one reason for the continuing effort to devise some method of increasing world liquidity. The gap between the level of world liquidity and trade bears close attention, particularly since the smaller U.S. balance-of-payments deficit provides less dollars for financing international commerce or for holding as reserves, and world gold production is just able to meet industrial needs and the demand for hoarding.

Due to the increase in International Monetary Fund quotas early in 1966, there was a shift in the composition of reserves held by most countries. Generally, 25 percent of the quota increase was payable in gold with the result that

Table 5.--Exports and imports of industrial and other high-income countries, 1966

Country and area	Exports (f.o.b.):	Imports (c.i.f.):	Balance	Change in exports, 1965 to 1966	Change in imports, 1965 to 1966
	</				

Source: International Monetary Fund, International Financial Statistics, April 1967.

Table 6.--International gold and foreign exchange reserves of the Free World 1/

Country and area	Reserves				Gold component, Dec. 31, 1966 2/	Ratio of reserves to imports 3/
	Dec. 31, 1964	Dec. 31, 1965	Dec. 31, 1966	Change, Dec. 1965- Dec. 1966		
	----- Million U.S. dollars -----				----- Percent -----	
ALL COUNTRIES, Total 4/	68,443	69,805	71,045	1,240	66	36
I. INDUSTRIAL AND OTHER HIGH-INCOME COUNTRIES 4/	58,968	59,060	59,790	730	74	38
United States	16,672	15,450	14,881	-569	91	51
Belgium	2,192	2,304	2,320	16	82	31
France	5,724	6,343	6,733	390	92	53
Germany, Federal Republic of	7,882	7,429	8,028	599	70	43
Italy	3,824	4,415	4,566	151	72	50
Netherlands	2,349	2,416	2,448	32	88	30
European Economic Community (excluding Luxembourg)	21,971	22,907	24,095	1,188	79	43
Austria	1,317	1,311	1,333	22	60	55
Denmark	647	586	597	11	29	18
Norway	387	476	527	57	12	18
Portugal	954	1,009	1,122	113	59	83
Sweden	964	972	1,027	55	36	21
Switzerland	3,120	3,244	3,324	80	86	80
United Kingdom	2,316	3,004	3,100	96	63	19
European Free Trade Association	9,705	10,602	11,030	434	62	32
Australia	1,906	1,531	1,568	37	25	44
Canada	2,881	3,027	2,693	-334	56	25
Finland	384	289	189	-100	40	10
Greece	281	250	273	23	53	20
Iceland	44	54	58	4	9	32
Ireland	446	410	494	84	5	44
Japan	2,019	2,152	2,119	-33	31	21
New Zealand	166	97	95	-2	--	9
South Africa	701	577	785	208	88	28
Spain	1,513	1,409	1,205	-204	79	35
Turkey	144	141	131	-10	78	18
Yugoslavia	74	104	115	11	18	7
II. LESS DEVELOPED COUNTRIES 4/	9,475	10,745	11,255	510	28	28
Latin America						
Central American Common Market 5/	191	224	221	-3	19	(b)25
Argentina	153	236	216	-20	39	(a)18
Brazil	222	505	410	-95	14	24
Chile	89	138	171	33	26	(b)25
Colombia	124	130	123	-7	21	17
Ecuador	52	46	61	15	18	(d)34
Jamaica	97	96	107	11	6	31
Mexico	583	534	557	23	35	32
Peru	160	175	155	-20	50	18
Uruguay	190	190	196	6	74	(b)100
Venezuela	831	843	776	-67	60	(c)72
Middle East						
Iran	199	236	255	19	58	27
Iraq	251	247	337	90	42	(a)75
Israel	545	643	621	22	11	78

Table 6.--International gold and foreign exchange reserves of the Free World 1/--cont.

Country and area	Reserves				Gold	Ratio of
	Dec. 31,	Dec. 31,	Dec. 31,	Change,	component,	reserves to
	1964	1965	1966	Dec. 1965- Dec. 1966	Dec. 31, 1966 <u>2/</u>	imports <u>3/</u>
	----- Million U.S. dollars -----				----- Percent -----	
<u>Middle East</u> --cont.						
Jordan	77	140	168	28	4	90
Kuwait	110	124	164	40	49	(b)34
Lebanon	232	251	282	31	69	(d)53
Saudi Arabia	585	726	741	15	12	n.a.
United Arab Republic	223	193	156	-37	60	(a)16
<u>Asia</u>						
Burma	205	177	184	7	50	127
Ceylon	51	73	43	-30	--	10
China, Republic of	297	300	337	37	18	46
India	498	599	608	9	40	25
Korea	136	146	245	99	4	40
Malaysia	586	640	681	41	3	(a)60
Pakistan	244	221	200	-21	26	20
Philippines	123	189	194	5	37	19
Thailand	660	739	924	185	13	(a)80
<u>Africa</u>						
Congo (Kinshasa)	39	20	n.a.	n.a.	n.a.	n.a.
Ethiopia	61	77	79	2	11	48
Ghana	123	132	126	-6	5	(a)43
Libya	172	245	339	94	22	(a)91
Morocco	53	99	82	-17	40	(b)15
Nigeria	245	246	227	-19	12	29
Sudan	71	60	57	-3	--	(a)30
Tunisia	33	40	28	-12	14	11
East Africa <u>6/</u>	155	143	n.a.	n.a.	n.a.	n.a.
Equatorial Africa <u>7/</u>	66	75	66	-9	8	(b)20
West Africa <u>8/</u>	134	157	173	16	5	n.a.

--Indicates figure is zero or less than half of the last digit shown.

n.a. = Not available

1/ Includes gold tranche position with the International Monetary Fund.

2/ Gold tranche position and lendings to the Fund included with gold.

3/ Ratio of December 31, 1966, reserves to fourth-quarter 1966 imports (at annual rates) except where denoted by letters which indicate imports for the following periods: (a) third quarter 1966, (b) second quarter 1966, (c) first quarter 1966, (d) fourth quarter 1965.

4/ Includes some countries not separately shown.

5/ Includes Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

6/ Includes Kenya, Tanzania, and Uganda.

7/ Includes Cameroon, Central African Republic, Chad, Congo (Brazzaville), and Gabon.

8/ Includes Dahomey, Ivory Coast, Mauritania, Niger, Senegal, Togo, and Upper Volta.

Source: International Monetary Fund, International Financial Statistics, April 1967.

monetary gold holdings of countries declined by \$995 million from the end of 1965 to the end of 1966, and their reserve positions in the Fund went up by \$955 million. Holdings of convertible foreign exchange rose by \$1,285 million and thus accounted for all of the increase in country reserves over the period.

Official holdings of gold declined by \$90 million during 1966 as production plus sales from Eastern Bloc countries failed to keep pace with the demand for nonmonetary uses (table 7). Of all countries, the United States experienced the largest drop in its gold holdings (\$830 million), while France made the largest addition to its gold holdings (\$532 million).

The quarterly trend of world exports indicates that the rapid expansion of trade may be slowing down. The level of world exports in the fourth quarter of 1966 was only 6.7 percent higher than in the corresponding quarter a year earlier. Gains for the other three quarters of 1966 when compared with a year earlier were 9.7 percent for the third quarter, 8.9 percent for the second quarter, and 12.8 percent for the first quarter.

Table 7.--Major changes in monetary gold holdings 1/

Country or institution	Changes, December 31, 1965, to December 31, 1966
	--Billion U.S. dollars--
United States	-0.8
United Kingdom	- .3
France	.5
Germany	- .1
Switzerland	- .2
Canada	- .1
Portugal	- .1
South Africa	.2
All countries	-1.0
IMF	.8
World total, including institutions	- .1

1/ Including IMF gold tranche position and lendings to the IMF.

Source: International Monetary Fund, International Financial Statistics, April 1967.

The slower growth of trade is directly related to the slowdown in economic activity in several major trading nations. In countries where fast growth is taking place and output approaches the limits of capacity, less attention is paid to selling in the export market since it is easier to sell domestically. At the same time, as high domestic demand puts pressure on prices, imports become competitive and are pulled in. In addition, if the economy is operating at capacity, orders pile up and the only way to obtain certain products in a reasonable length of time is to import them. The United States was in this position during the latter part of 1965 and most of 1966. The growth rates presented in table 8 when compared with trade data in table 5 bear this out.

Germany during 1966 was an example of the opposite situation, one where growth was declining. From 1965 to 1966, Germany's growth rate fell from 4.8 percent to 2.7 percent, and exports increased by 12.5 percent while imports increased only 3.2 percent. During 1965, when growth was still relatively

fast, exports increased by 10.4 percent from 1964 while imports increased by a phenomenal 19.6 percent.

This example emphasizes the point that the economic conditions prevailing in the major trading partners of any given country as well as in the country itself will have a considerable influence on its trade.

Table 8.--Growth in real output,
selected countries, 1965-67

Country	: 1965	: 1966 : : estimate	: 1967 : forecast
	Percent		
Belgium	: 3.3	3.5	2.5
France	: 3.4	5.0	5.0
Germany	: 4.8	2.7	2.2
Italy	: 3.5	5.5	5.5
Luxembourg	: 1.5	1.5	3.0
Netherlands	: 5.4	4.5	3.5
EEC	: 3.9	4.1	3.8
Canada	: 6.9	5.9	4.5
Denmark	: 4.9	2.4	4.0
Japan <u>1/</u>	: 4.7	9.7	9.0
Sweden	: 3.7	2.8	3.8
United Kingdom	: 2.3	1.0	2.0
United States	: 5.9	5.4	4.0

1/ Fiscal year beginning April 1.

1966 (which should be matched in 1967) will provide a large stimulus for world trade.

The surge in trade that occurred in late 1965 and early 1966 was accompanied by a rise in the prices of many basic commodities entering world trade. Prices generally sagged in the middle of 1965, began to rise toward year-end, continued to rise in early 1966, and then slumped downward until the end of 1966. Some of the movement was no doubt seasonal, but nevertheless prices of many products in the fourth quarter of 1966 were below their levels of a year earlier.

Copper, tin, and lead, among metals, and burlap, copra, and tea, among agricultural products, followed the above pattern. Prices of Brazilian coffee and Philippine hemp dropped throughout 1965 and 1966. Pakistani jute and Ghanaian cacao prices followed an irregular path upwards over the 2 years.

AREA AND COUNTRY DATA

The industrial and other high-income countries of the world held 84 percent of world reserves at the end of 1966 and accounted for 79 percent of world exports during 1966. The less developed areas did manage to account for a

Some of the countries experiencing a decline in growth are the United States, Germany, the United Kingdom, Belgium, Denmark, and Sweden. The decline in the U.S. growth rate began in the middle of 1966 and early indications are that it will not be severe. However, the decline has been severe and prolonged in the five other countries where growth dropped from an average of 7 percent in 1964 to about 3 percent in 1966. To the extent that total demand, including import demand, remains low in these countries during 1967, world exports will tend to grow less rapidly. Offsetting the negative influences of the above countries are the rapidly growing economies of Japan, Italy, and France. Since Japan imports large quantities of raw materials, its phenomenal growth rate of over 9 percent in

greater than proportional share of the increase in world reserves during 1966, but fell further behind in the trade area. They accounted for \$510 million (41 percent) of the \$1,250 million increase in reserves during 1966 whereas they accounted for \$1,270 million (94 percent) of the \$1,355 million increase that occurred during 1965. Exports of the less developed countries increased 6 percent in both 1965 and 1966 compared with increases of 9 percent and 10 percent, respectively, by the developed countries.

Recent estimates on economic progress indicate that both the developed and less developed areas grew by about 5 percent from 1965 to 1966. But since the population growth rate of 2.5 percent a year in the less developed countries was more than double the 1.1 percent rate prevailing in the developed areas, per capita income growth in the developing areas was considerably less than that in the developed countries.

Industrial and Other High-Income Countries

Economic growth in the European Economic Community (EEC) accelerated slightly during 1966 compared with 1965, but is expected to fall back during 1967. The EEC's rate of growth in the past 2 years was below that of the United States, Canada, and Japan, and is expected to remain lower during 1967.

The \$1,188 million increase in the reserves of the EEC during 1966 was more than double that of the European Free Trade Association (EFTA), but proportionally it was about the same. The EFTA countries as a group increased their reserves during 1966, but the \$434 million increase represented a sizeable drop from the \$897 million rate of accumulation that occurred in 1965. Most of the decline in the rate of accumulation is attributable to the United Kingdom's loss of reserves during the sterling crisis last year. Excluding the United States, reserves of the remainder of the industrial and other high-income countries actually declined by \$316 million, but the decline was less than the \$518 million loss that occurred during 1965. The \$569 million decline in U.S. reserves during 1966 was larger than that of any of the preceding three groups of countries or of any individual country.

At the end of 1966 gold comprised 91 percent of the international reserves of the United States, the largest gold component ratio of any country. The U.S. ratio of reserves to imports at the end of 1966 was 51 percent, well above the 36 percent average for all countries, but by no means the highest among the industrial and other high-income countries. Portugal's ratio of 83 percent was the highest.

The rate of increase in U.S. imports during 1966 was more than double the average increase for all countries, and only slightly less than double the increase for all the industrial and other high-income countries. The 19.6 percent increase in U.S. imports during 1966 was also about double the 10.6 percent increase in U.S. exports during 1966. The U.S. export performance was better than that of the EEC or EFTA, but below the average increase of 14.2 percent achieved by the rest of the developed countries.

The U.S. merchandise trade balance, though still in a surplus position, declined considerably from 1965 to 1966. The trade balances of the three groupings of developed countries, while still in deficit positions in 1966, showed some improvement during the year.

European Economic Community

The EEC's reserves grew more rapidly in 1966 than in 1965 due to the rapid turnaround in Germany's accounts. During 1965 Germany lost \$453 million in reserves, but more than made up this loss in 1966 with a \$599 million increase. The other members of the EEC increased their reserves during 1966, but the increases were substantially smaller than the ones achieved in 1965. Overall the EEC's trade balance registered a deficit of \$861 million in 1966 compared with a deficit of \$1,065 million in 1965.

Germany's merchandise trade surplus for 1967, estimated to range from \$3 billion to \$4 billion, is causing some concern to her trading partners who would bear the brunt of the adverse effects of such a surplus. Germany maintains that a surplus of this magnitude is both justified and necessary--justified because other items in the accounts (tourism, wage payments to foreigners, etc.) balance out the trade surplus, and necessary because a surplus will help boost the domestic economy to a higher level of performance. The rate of increase in real output dropped from about 5 percent in 1965 to 3 percent in 1966 and is forecast to increase by no more than 2 percent in 1967. The Government's recent efforts to start the reflation of their economy will probably not have much effect until the latter part of the year. The high level of exports has been a prop under the economy during the recent periods of weakness.

For France 1966 was a very successful year as economic growth exceeded 5 percent and no undue price pressures occurred. However, toward the end of the year balance-of-payments problems began to occur, due in part to a slippage in the merchandise trade balance from a deficit of \$288 million in 1965 to \$977 million in 1966.

If the effects of advance debt repayments were excluded, France's balance-of-payments surplus in 1966 would be \$420 million, less than half of the 1965 surplus of \$1,143 million. With advance repayments of \$70 million on the external debt, the actual surplus was \$349 million; of this amount, \$254 million was the result of settlements with franc area countries.

Growth is expected to continue at a high level during 1967 but may slip below 5 percent due in part to weak demand for French exports in Germany, the United Kingdom, and the United States.

Italy is the other booming EEC country and the 1966 growth rate of 5.5 percent may be bettered during 1967. Construction, which had not shared in the 1965-66 expansion, has finally come to life and will help keep demand high in 1967. Wholesale prices increased by only 1.5 percent from 1965 to 1966 and the cost of living rose by only 2.0 percent, an excellent performance in view of the high rate of growth. Italian imports showed no change from 1964 to 1965, but from 1965 to 1966 they jumped by 16.6 percent while exports increased by only 11.4 percent during 1966. The resultant \$400 million increase in the trade deficit from 1965 to 1966 was about equal to the \$440 million decline in reserves during 1966. Italian exports to the United States increased by 20 percent during 1966 while U.S. exports to Italy increased by only 6 percent. The United States still had a favorable balance of trade with Italy of about \$350 million. Corn, oats, rye, and barley were among principal U.S. exports to Italy.

Belgium managed to achieve a small increase in reserves during 1966 despite the fact that its trade balance (including the effects of Luxembourg's trade since their trade data are combined) shifted from a small surplus of \$8 million in 1965 to a deficit of \$189 million in 1966. Growth in real output remained low during 1966, being about the same as the 3.3 percent increase in 1965. Sagging export demand during the year was a factor in the low rate of growth, but for the most part the retardation of growth was intentional as domestic authorities tried to slow the rate of increase in wages and prices. They were only partially successful since hourly earnings in the fourth quarter of 1966 were 11 percent above the level prevailing in the fourth quarter of 1965, which in turn was about the same rate that had prevailed from 1964 to 1965. The rise in consumer prices was slowed during 1966 and wholesale prices showed little change.

Luxembourg's economy remained in the doldrums during 1966, with real output estimated to be only 1.5 percent above the 1965 level.

Economic events in the Netherlands during 1966 were much the same as those in Belgium. Imports increased faster than exports with a resultant increase in the trade deficit (to \$1.3 billion), reserves increased by only half as much as in 1965, and economic growth was held back in order to curb demand pressures on wages and prices so that the country's competitiveness in international trade would not deteriorate. The growth rate declined from 5.4 percent in 1965 to 4.5 percent in 1966, with the prospect of a further decline to 3.5 percent in 1967. Despite the restrictive actions taken, prices increased at about the same rate in 1966 as in 1965 and there was a deficit of \$177 million in the overall balance of payments compared with a surplus of \$23 million in 1965.

European Free Trade Association

EFTA reached a milestone at the end of 1966 when tariffs on manufactured products originating in and traded between member countries were eliminated. Since EFTA's inception, total exports have increased by 65 percent while exports to member countries have increased by 114 percent, an indication that free trade pays. Other barriers to trade are yet to be removed, but the two major barriers, tariffs and quotas, are gone.

During 1966 EFTA's imports from the United States increased by 7.2 percent to \$3,506 million, while exports to the United States increased by 23.2 percent to \$3,059 million. Even though the increase in exports was three times that of imports, EFTA's trade balance with the United States was still unfavorable to the extent of \$447 million.

Each EFTA member managed to increase its reserves during 1966, but the largest gain was the \$113 million increase achieved by Portugal.

Following intermittent balance-of-payments troubles, the United Kingdom's economic goal in 1966 was to correct its payments situation. The payments deficit on current and long-term capital accounts was reduced in 1966 to \$529 million, a significant improvement over payment deficits of \$974 million in 1965 and \$2.1 billion a year earlier. In 1966 both the trade deficit (balance-of-payments basis, with exports and imports recorded f.o.b.) and the net capital outflow were reduced to approximately half the recorded levels of the previous

year. Merchandise exports in 1966 increased by \$900 million, a gain of 7 percent over 1965 and well above the average of the last decade. Imports rose by 4 percent during the year. With the deferment of imports pending the removal of surcharges, and reduced economic activity in 1966, the trade surplus in the fourth quarter of 1966 reached \$314 million, seasonally adjusted. In contrast to these improvements, net earnings on services and transfers dropped from \$448 million in 1965 to \$215 million in 1966 as a consequence of reduced earnings on shipping, resumption of interest payments to the United States, and lower net insurance earnings. The overall improvement in payments is expected to continue through 1967 when a surplus position of around \$500 million may be reached.

The effects of the severe deflationary actions taken in the middle of 1966 limited growth to about 1 percent for the year as a whole. Even though some stimulation of the economy is in store during 1967, real growth will still be limited to about 2 percent. Balance-of-payments pressures are expected to limit growth to about 3 percent a year for the next 3 years.

Austria and Denmark managed to increase their reserves during 1966 after suffering slight losses during 1965. Austria's increase occurred despite an 11 percent increase in imports during 1966 which was more than double the 5 percent gain in exports. Denmark achieved a better balance between changes in exports and imports as both expanded by about 6 percent. The current account deficit for 1966 of approximately \$174 million was about the same as for 1965. Capital inflows exceeded this figure slightly, thus permitting the \$11 million increase in reserves. Austria's ratio of reserves to imports at the end of 1966 was a comfortable 55 percent while Denmark's was only 18 percent, less than one-half the average for the industrial and other high-income countries.

Norway's import coverage ratio also was 18 percent at the end of 1966. While the trade balance worsened slightly during the year, the increase in exports and imports was roughly in balance, increasing by about 8.5 percent a year. However, the current account deficit for 1966 was \$164 million, up from \$109 million in 1965.

From 1964 to 1965 Portugal's imports increased by 18.8 percent, but the rate of increase was only 9.6 percent from 1965 to 1966. Exports gained 8.9 percent during 1966, thus holding the trade deficit to \$386 million, up \$38 million from 1965.

In response to balance-of-payments pressures Sweden cut back on domestic demand during 1966 in order to curb the rise in imports and to free resources for export industries. From 1964 to 1965 imports had increased by \$521 million, but from 1965 to 1966 they went up by only \$197 million, or \$104 million less than the \$301 million increase in exports from 1965 to 1966. As a result of the curbs on demand, real output increased by only 2.8 percent in 1966 compared with an increase of 3.7 percent in 1965.

Switzerland's 10.6 percent increase in exports from 1965 to 1966 was the largest among EFTA countries. Although the rate of increase of imports went from 2.4 percent in 1965 to 6.7 percent in 1966, the Swiss still managed to reduce the trade deficit due to their excellent export performance.

Other Industrial and High-Income Countries

This group of countries increased their exports by 14.2 percent from 1965 to 1966, well above the 10.4 percent increase averaged by all industrial and other high-income countries. Imports increased by 12.3 percent over the same period, somewhat above the average for the high-income countries. As might be expected among such a diverse group of countries, the average performance masks wide variations in individual performance. Spain's 29.7 percent increase in exports from 1965 to 1966 was the highest among the group, but the smallest increase--that of Finland--was only 5.5 percent. The import range was just as widespread. In 1966 Japan and Canada, the major trading countries in this group, accounted for just under two-thirds of the \$31 billion exports by the 12 countries.

The rapid acceleration of Japan's economy in the past year and a half has caused a slowdown in the rate at which exports have been growing while imports have gained momentum. With rapid growth has come a sharp rise in import demand and while imports increased by only 2.9 percent from 1964 to 1965, they increased by 16.6 percent from 1965 to 1966. Exports also increased by about 16 percent from 1965 to 1966, and thus Japan's merchandise trade balance dipped only slightly below the \$282 million surplus recorded in 1965.

Japan makes most of its economic forecasts on a fiscal year basis which differs by one quarter from a calendar year. For fiscal year 1967, which began April 1, the Government has forecast that imports will rise 15 percent from the fiscal 1966 level while exports will increase only 11 percent. This implies a reduction in the merchandise trade surplus, but overall the balance-of-payments accounts are expected to be in equilibrium during fiscal 1967 compared with a surplus of \$110 million in fiscal 1966.

Imports of food and feedstuffs, which account for about 20 percent of all Japanese imports, are expected to be 11 percent higher in the first half of fiscal 1967 than in the same period in 1966. The United States is a major supplier of farm products to Japan (U.S. agricultural exports to Japan in 1966 were valued at \$942 million) and should share in the increase.

Both Canadian exports and imports increased by about 17 percent from 1965 to 1966, with the increase in exports having a slight edge over imports. Of the \$1.4 billion increase in exports, two commodities--wheat, and automotive products--accounted for about one-half. The value of wheat exports was about \$1 billion in 1966. Automotive imports increased by almost \$450 million during 1966, accounting for 30 percent of the year's increase in exports. The large increase in the trade of automotive products came largely as a result of the Canadian-United States Automotive Agreement signed early in 1965.

Canada's reserves declined by \$334 million from the end of 1965 to the end of 1966 due in large part to an outflow of short-term capital.

Less Developed Countries

The less developed countries gained \$510 million in reserves during 1966, with the Asian and Middle Eastern countries showing increases of \$470 million and \$375 million, respectively, and the Latin American and African countries

experiencing losses of \$130 million and \$205 million, respectively. Countries with sizeable losses were Brazil, Venezuela, and the United Arab Republic, while Iraq, Korea, Thailand, and Libya made sizeable gains. As would be expected, the 28 percent average import coverage ratio of the less developed countries is substantially (10 points) below that of the developed countries.

The annual rate of economic growth in Mexico between 1961 and 1965 averaged 6.6 percent in real terms, and rose by 7 percent in 1966. Agricultural output expanded 4.7 percent on the average between 1961 and 1965. A major influence on the development of agriculture has been the public investment sector, particularly in irrigation projects. To date the Inter-American Development Bank (IDB) has lent Mexico \$127.3 million for purposes of financing irrigation, land-use, and resettlement programs. The most recent IDB loan totaled \$13 million and meets half the total cost of constructing about 400 small irrigation works, and facilities to supply water to households in northeastern Mexico. For the first half of 1966, the balance-of-payments deficit totaled \$100 million compared with \$168 million in the same period a year earlier. Earnings from tourism and services continued to rise, but a current account deficit was recorded as a large outflow of interest, profits, and dividends and a moderate trade deficit more than offset these gains. International reserves of gold and foreign exchange totaled \$557 million equivalent on December 31, 1966, a gain of \$23 million for the year.

P.L. 480 LEGISLATION AND MULTIPLE CURRENCY PRACTICES

by Gabrielle P. Rice

Many developing countries impose a system of multiple exchange rates for balance of payments reasons or for tax purposes. In particular situations of economic adversities, multiple rates can slow inflationary tendencies, reduce certain imports, encourage exports, or separate commodity trade from capital transactions. To attain these objectives, however, requires a certain amount of monetary stability as well as the maintenance of both a realistic spread between exchange rates, and a system with only a few rates. In the absence of these conditions, many multiple exchange systems merely serve to disguise an overvalued exchange rate, and often result in exchange losses instead of gains and in distortions in domestic agricultural and industrial production and consumption. 1/

Aside from the effects of multiple exchange rates upon commercial relations between the United States and developing countries, the presence of such exchange systems has had a decided influence upon U.S. food assistance when sold for foreign currencies. These systems have necessitated frequent modifications in P.L. 480 exchange rate policies, and these policies in turn may have exerted some influence on the exchange systems themselves, as concessional food transactions have more closely approximated regular international trade transactions. This study proposes to examine the rationale behind changes in U.S. food aid legislation because of existing multiple rate systems and to draw conclusions relating the effects, if any, of U.S. legislation on the exchange policies of developing nations.

1/ For a more detailed discussion of these situations, see Margaret G. deVries, "Multiple Exchange Rates: Expectations and Experiences", Staff Papers, International Monetary Fund, July 1965.

HISTORY OF P.L. 480 "DEPOSIT RATE" LEGISLATION

The original agreements under the Agricultural Trade Development and Assistance Act of 1954 provided for deposits of local currencies in payment for U.S. agricultural commodities at exchange rates applicable to commercial import transactions of the recipient country. No exchange rate problems arose in countries with unitary rate systems but in countries with multiple exchange rates a decision had to be made as to the appropriate legal rate. This selection raised many questions in the United States as to the possible loss in value of U.S. foreign currency holdings, especially where deposit rates were lower than the rate at which local currencies were utilized for the payment of U.S. obligations. Consequently, an amendment to the P.L. 480 legislation was approved on August 8, 1961, which provided for rates of exchange which were "not less favorable than the rate at which U.S. Government agencies can buy currencies from the United States disbursing officers in the respective countries." The disbursing officers' rates of exchange are usually for capital and other invisible transactions, rather than for commercial trade transactions.

Three other changes were made in the deposit rate language in the course of P.L. 480 legislation. By 1963, further debate had taken place concerning exchange losses in multiple rate countries and an amendment of December 13, 1963, provided that the United States obtain rates of exchange "not less favorable than the highest of exchange rates legally obtainable from the Government or agencies thereof in the respective countries."

In some countries with complex multiple-rate systems, the highest exchange rate was sometimes a highly specialized one, for example, a rate for foreign banknote transactions only. This probably exerted pressure on some countries to request dollar credit terms in order to avoid depositing local currencies at excessive rates of exchange.

The third change in exchange rate legislation, made on October 8, 1964, provided that the rate of exchange obtained must not be less favorable than the highest of exchange rates obtainable by any other nation.

The latest P.L. 480 legislation (effective January 1, 1967) did not change the previous provision substantially and called for rates that "are not less favorable than the highest of exchange rates legally obtainable in the respective countries and which are not less favorable than the highest of exchange rates obtainable by any other nation."

All of these changes were intended to effect a balance-of-payments saving for the United States.

REACTION OF MULTIPLE RATE COUNTRIES TO P.L. 480 EXCHANGE RATE REQUIREMENTS

Many developing nations have continued to import agricultural commodities where there have been special appreciated rates for such products. They have found it much less expensive to import food rather than produce it locally. Commodities imported under Title I of P.L. 480 were formerly particularly advantageous because they required no immediate foreign exchange outlay and until 1961 could be imported at a preferential rate in multiple rate countries.

Even when the P.L. 480 exchange rate terms were hardened, as explained in the preceding section, many countries with only a small differential between exchange rates were able to make deposits at the higher rate without undue stress. Those with excessive spreads between rates had the option of making long-term dollar payments under Title IV of P.L. 480 and could thereby avoid the multiple rate issue entirely. This choice probably did not encourage the country to eliminate its multiple rate practices. However, there is some question as to whether P.L. 480 programs are large enough to encourage countries to unify their exchange rate structure. 2/ The ratio of P.L. 480 imports to total annual imports is usually less than 10 percent (table 9). 3/

DEPOSIT RATES COMPARED WITH EXISTING EXCHANGE RATES

Whether or not P.L. 480 programs have been of sufficient force to correct multiple exchange practices, a substantial number of complex multiple rate systems have been simplified in the 1960's.

Brazil's proliferation of rates became an increasing problem in negotiating P.L. 480 programs as each new legislative change in (text continued on page 24)

Table 9.--Average annual values of imports under Titles I and IV of P.L. 480 agreements and total imports, selected multiple rate countries, 1960-66

Country	: Average value : of P.L. 480 : agreements	: Average value : of total imports	: P.L. 480 imports : as percentage of : total imports
	: ----- Million U.S. dollars -----		: ----- Percent -----
Afghanistan	: 1.2	<u>1</u> /56	2.1
Brazil	: 73.8	1,391	5.3
Chile	: 23.0	<u>1</u> /577	4.0
Colombia	: 9.1	549	1.7
Congo	: 15.4	<u>2</u> /261	5.9
Ecuador	: 2.2	<u>1</u> /131	1.7
Indonesia	: 39.2	<u>3</u> /628	6.2
Israel	: 42.3	703	6.0
Korea	: 64.4	446	14.4
Philippines	: 16.0	770	2.1
Syria	: 7.4	236	3.1
United Arab Republic	: 124.1	<u>1</u> /821	15.1
Uruguay	: 1.4	<u>1</u> /197	0.1
Vietnam	: 38.7	<u>1</u> /284	13.6
Yugoslavia	: 93.4	1,124	8.3
	:		

1/ 1966 imports not available; average 1960-65.

2/ 1960-62 imports not available; average 1963-66.

3/ 1965 and 1966 imports not available; average 1960-64.

2/ Elrod, Jr., Warrick E. Monetary Effects of Financing Agricultural Exports under Titles I and IV, P.L. 480. U.S. Dept. Agr., Econ. Res. Serv., Foreign Agr. Econ. Rpt. 12, Nov. 1963.

3/ Generally true when averages are taken over a number of years. In single years, however, P.L. 480 sometimes accounted for as much as 60 percent of total imports. Example: The United Arab Republic in 1962.

Table 10.--Representative multiple rates and Public Law 480 deposit rates, selected countries
(End of period, in units per U.S. dollar)

Country	Currency unit	1960		1961		1962		1963		1964		1965		1966	
		Multiple rate(s)	Deposit rate	Multiple rate(s)	Deposit rate	Multiple rate(s)	Deposit rate	Multiple rate(s)	Deposit rate	Multiple rate(s)	Deposit rate	Multiple rate(s)	Deposit rate	Multiple rate(s)	Deposit rate
Afghanistan		20.00	1/	20.00	1/	20.00	1/	45.00	1/	45.00	1/	45.00	1/	45.00	75.15 and 74.15 Title IV
		28.00		28.00		28.00		55.51		72.22		79.84			
		42.49		47.15		50.18									
Brazil 2/		18.92	3/100 to and	318 3/200 and	475 318 to 475	475 318 to 475	475 318 to 475	620 1480	620	1840 2405	1850	2220 2553	2220	2220	Title IV
		639.9	205.1	327.5	318	485.3									
Chile		1.053	1.053	1.053	1.053	1.64 2.42	Title IV	2.65 3.04	1/	2.70 3.26	Title IV	3.47 4.22	4.22	4.37 5.00	5.00
Colombia		6.70	6.70	6.70	6.70	9.00 11.09	1/	9.00 9.99	1/	9.00 12.82	1/	13.51 18.29	18.29	13.51 16.30	Title IV
Congo 4/		50	1/	50	1/	50 65	65	180	180	180	150	180	150	180	150 and Title IV
Ecuador		15.15	15.15	18.18	18.18	18.18 22.10	1/	18.18 18.53	Title IV	18.18 18.52	Title IV	18.18 18.52	Title IV	18.18 20.48	Title IV
Indonesia		45	56.25	45	56.25	45 3/45.28	and	315 315.28	270 to 270	270 to 6887	315.28	250 to 517.5	517.5	.250	Title IV
		200	200	200	200	922	90.28	600				520		.520	
Israel		1.80	1.80	1.80	1.80	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00 and Title IV
		2.65		2.65											
Korea 2/		650 to 1340	650	1250 1300	1300	130	130	130	130	255	130 256.53	270	270	270	270
Philippines		3.00	1/	3.00	3.45	3.92 3.91	3.45	3.91 3.91	3.91	3.91	3.91	3.92	3.92	3.91	3.91 and Title IV
Syria		3.58	3.58	3.58	3.58	3.82 3.83	3.82	3.82	Title IV	3.82 4.06	1/	3.82 4.04	1/	3.82	1/
United Arab Republic		0.387	0.387	0.387	0.387	0.423 0.423	0.438	0.438	0.438	0.438	0.438	0.438	0.438	0.438	0.438 and Title IV
		0.423		0.423											
Vietnam 2/		35.0	35.0	35.0	35.0	60.0 73.5	35.0 73.5	60.0 73.5	73.5	60.0 73.5	73.5	60.0 73.5	73.5	118.0	118.0
		73.5		73.5											
Yugoslavia		300	525	750	750	750	750 and Title IV	750	750	750	750 and Title IV	1250	Title IV	12.5	Title IV
		632													

1/ Indicates that no Public Law 480 deposits were made in that year.

2/ Where discrepancies occurred between the contracted deposit rate and the actual deposit rate, supplemental deposits by these countries were made. (Not shown in table).

3/ 85 percent deposited at official rate and 15 percent at free market rate.

4/ Multiple rates listed exclude a special rate for blocked francs.

Source: International Financial Statistics, International Monetary Fund, April 1967. Foreign Agricultural Service, and Agricultural Stabilization and Conservation Service.

STATISTICAL APPENDIX

The tables below present statistical data on (1) the quantity and value of agricultural products sold under the CCC Export Credit Program classified by maturity period; (2) the amount of agricultural commodities programmed under long-term dollar credit sales (P.L. 480), classified by interest rates and maturities; and (3) outstanding indebtedness of foreign countries to the U.S. Government, total and under P.L. 480.

Appendix table 1.--Sales of commodities under the Commodity Credit Corporation Export Credit Sales Program by maturity period, March 31, 1956 - December 31, 1966

Commodity	Unit	Maturity (months)				Total	Sales by
		6 or less	7 - 12	13 - 24	25 - 36		foreign bank
							credit <u>1/</u>
-----Thousands of units-----							
Barley	:bu.	2,126		2,157	7,470	11,753	
Beans, dry edible	:cwt.				456	456	
Butter	:lb.	255			452	707	
Corn	:bu.	186,766	10,340	1,627	58,416	257,149	5,625
Cotton	:bale	9	718		119	846	94
Cottonseed oil	:lb.		4,409			4,409	4,409
Grain sorghums	:cwt.	34,760	25,407	7,386	20,718	88,271	3,787
Gum rosin	:lb.	3,625				3,625	
Non-fat dry milk	:lb.	19,331				19,331	
Oats	:bu.	275				275	
Rice	:cwt.	733			329	1,062	
Soybean oil	:lb.	3,694	24,255			27,949	27,949
Tobacco	:lb.	1,202	12,860	4,960	23,035	42,057	5,121
Wheat	:bu.	35,295	13,348	5,077	44,407	98,127	30,546
Wheat flour	:cwt.				4,048	4,048	4,048
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^{1/} February-December 1966: Revised Commodity Credit Corporation regulations issued February 22, 1966 (FSM-3, Rev.II) permit the CCC to extend credit to U.S. exporters of agricultural commodities against assurance of payment from foreign banks as well as against assurance of payment from banks in the United States.

Source: U.S. Department of Agriculture, Foreign Agricultural Service.

Appendix table 2.--U.S. Government long-term dollar credit sales agreements and amendments by maturity period and interest rate, August 1961 to March 31, 1967 1/

Annual interest rate	1 - 5 years		6 - 10 years		11 - 15 years		16 - 20 years		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Percent		<u>1,000 dol.</u>		<u>1,000 dol.</u>		<u>1,000 dol.</u>		<u>1,000 dol.</u>		<u>1,000 dol.</u>
Government-to-Government										
3/4			3	1,947			15	120,679	18	122,626
2							2	2,095	2	2,095
2-1/2					1	798	33	206,878	34	207,676
3	2	13,940			1	1,400			3	15,340
3-1/2					5	145,416	14	197,771	19	343,187
3-5/8	1	2,000							1	2,000
3-7/8	1	10,875	1	13,200					2	24,075
4	1	11,414			5	95,179	2	2,556	8	109,149
4-1/4							1	2,202	1	2,202
4-1/8	2	21,725							2	21,725
4-7/8	2	8,998							2	8,998
5					1	2,730			1	2,730
5-1/8	1	1,826							1	1,826
Total	10	70,778	4	15,147	13	245,523	67	532,181	94	863,629
Government-to-private										
4			1	500					1	500
4-1/8			1	35,000	2	4,724			3	39,724
4-1/4							1	2,994	1	2,994
4-5/8			1	1,975					1	1,975
5-1/8			2	2,225					2	2,225
Total			5	39,700	2	4,724	1	2,994	8	47,418
Grand total	10	70,778	9	54,847	15	250,247	68	535,175	102	911,047

1/ Classified by interest rates applicable during the period of principal repayment. Amounts reflect the export market value of agricultural commodities programed under Public Law 480, including applicable ocean transportation to be financed.

Source: U.S. Department of Agriculture, Foreign Agricultural Service.

Appendix table 3.--Outstanding indebtedness of foreign countries on U.S. Government loans including P.L. 480, in millions of U.S. dollars and equivalents, as of June 30, 1966

Area and country	U.S. Government programs:		Under P.L. 480 (loans)			
	Total	Percentage	Total	Percentage	Foreign	Dollars
	: of total	:	: of total	:	: currency	:
	Mil. dol.	Percent	Mil. dol.	Percent	----- Mil. dol.	-----
Western Europe, total	6,665.3	34.4	769.0	23.1	513.3	255.7
Austria	45.8	0.2	24.9	0.7	24.9	--
Finland	69.4	0.4	21.4	0.6	21.4	--
Iceland	32.0	0.2	13.2	0.4	11.1	2.1
Portugal	114.4	0.6	18.8	0.6	2.9	15.9
Spain	432.4	2.2	201.6	6.1	200.8	.8
Yugoslavia	702.2	3.6	486.2	14.6	249.3	236.9
Other countries	5,269.1	27.2	2.9	0.1	2.9	--
Near East, total	2,151.1	11.1	898.0	26.9	835.6	62.4
Greece	184.8	71.0	75.4	2.3	54.1	21.2
Iran	255.4	1.3	42.0	1.3	26.0	16.0
Iraq	17.9	0.1	10.4	0.3	--	10.4
Israel	456.8	2.4	205.8	6.2	205.8	--
Syria	10.6	0.1	8.2	0.2	7.9	.3
Turkey	732.2	3.8	188.7	5.7	188.7	--
United Arab Republic	468.9	2.4	367.1	11.0	352.7	14.4
Other countries	24.5	0.1	.4	--	.4	--
South Asia, total	4,134.2	21.3	1,143.2	34.3	1,143.2	--
India	2,972.6	15.4	886.1	26.6	886.1	--
Pakistan	1,099.0	5.6	245.0	7.4	245.0	--
Other countries	62.6	0.3	12.1	0.4	12.1	--
Africa, total	730.3	3.8	87.0	2.6	49.2	37.8
Algeria	11.6	0.1	11.6	0.3	--	11.6
Congo (Kinshasa)	24.2	0.1	10.3	0.3	10.3	--
Ethiopia	39.3	0.2	3.8	0.1	.3	3.5
Ivory Coast	7.9	--	4.5	0.1	.3	4.3
Kenya	13.4	0.1	13.0	0.4	--	13.0
Liberia	109.3	0.6	1.3	--	--	1.3
Morocco	264.3	1.4	16.3	0.5	13.3	3.0
Sierra Leone	11.3	0.1	1.1	--	--	1.1
Sudan	17.7	0.1	7.7	0.2	7.7	--
Tunisia	103.4	0.5	17.4	0.5	17.4	--
Other countries	127.9	0.7	--	--	--	--
Eastern Asia and Pacific, total	1,755.0	9.1	216.0	6.5	183.4	32.6
Burma	40.7	0.2	13.5	0.4	13.5	--
China (Taiwan)	361.8	1.9	60.2	1.8	35.9	24.3
Indonesia	171.8	0.9	14.1	0.4	13.3	.8
Japan	764.2	3.9	102.4	3.1	102.4	--
Philippines	111.2	0.6	14.1	0.4	14.1	--
Ryukyu Islands	17.2	0.1	7.5	0.2	--	7.5
Other countries	288.1	1.5	4.2	0.1	4.2	--
Western Hemisphere, total	3,519.6	18.2	219.7	6.6	158.8	60.9
Bolivia	84.6	0.4	14.4	0.4	10.0	4.4
Brazil	1,140.4	5.9	61.9	1.9	61.9	--
Chile	609.4	3.1	60.7	1.8	29.8	30.9
Colombia	285.7	1.5	18.6	0.6	13.0	5.6
Dominican Republic	61.2	0.3	12.6	0.4	--	12.6
Ecuador	72.7	0.4	12.3	0.4	6.6	5.7
El Salvador	34.5	0.2	.2	--	--	.2
Mexico	275.8	1.4	10.6	0.3	10.6	--
Paraguay	29.3	0.2	6.1	0.2	6.0	.1
Peru	163.0	0.8	19.5	0.6	18.1	1.4
Other countries	763.0	3.9	2.8	0.1	2.8	--
All other	409.7	2.1	--	--	--	--
Totals	19,365.2	100.0	3,332.9	100.0	2,883.5	449.4

--Indicates figure is zero or less than half the last digit shown.

Source: U.S. Department of Commerce, Foreign Credits by U.S. Government, March 1967.

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deposit requirements occurred. Brazil's gradual approach toward exchange rate simplification included removing exchange taxes on import payments and simplifying the rate structure. With the introduction of Chile's dual rate system in 1962, as the spread between the two rates became too wide to pay for P.L. 480 commodities at the higher rate, Chile decided to make long-term dollar payments instead. Since then, the country simplified the dual rate system somewhat, and as the spread between the two rates narrowed, a local currency program was again negotiated in 1965. Between 1960 and 1966, the United Arab Republic, Uruguay, Israel, Yugoslavia, and Korea all achieved a unitary rate structure, thereby eliminating deposit rate problems. Indonesia and Vietnam simplified their exchange systems and reduced the effective spread of rates. On the other hand, Ecuador and Syria increased multiple currency practices, but the most recent programs in both countries have been on long-term dollar credit terms. The Congo (Leopoldville) introduced a new exchange system in November 1963, with a considerable spread between the buying and selling rates. The Philippines has continued its multiple rate practices. These countries are also buying P.L. 480 commodities for dollars, thus avoiding the multiple rate issue.

Multiple rate practices are compared with P.L. 480 deposit rates in selected countries for 1960-66 in table 10. In most countries, a representative exchange rate, that is, one which most accurately reflects internal conditions, is difficult to ascertain. Thus, the upper and lower limits of all import rates are given, or for countries with dual rates of exchange, both are given. Black market rates, though they sometimes may be the most realistic exchange rates, are not included. The years in which the country elected to make long-term dollar payments are indicated by "Title IV." Throughout the 1960-66 period, it is apparent that the P.L. 480 legislative changes outlined earlier have resulted either in an alignment of deposit rates with the most realistic rate of exchange, or in a transition from local currency to long-term dollar credit programs.

CONCLUSION

Over the course of many years, numerous complex multiple exchange rate structures have been simplified or eliminated chiefly through the guidance and assistance of the International Monetary Fund. P.L. 480 programs appear to have reinforced the objective of exchange simplification.